WOLSELEY PLC

A YEAR OF SOLID PROGRESS IN VARIED MARKETS

Results for the year ended 31 July 2013

£m	2013	2012	Change	Like-for-like Change[3]
Revenue of ongoing [1] businesses	**12,854**	12,345	+4.1%	+2.9%
Total revenue	**13,154**	13,421		
Trading profit [2] of ongoing businesses	**725**	655	+10.7%	
Total trading profit [2]	**725**	665		
Impairments and exceptional items	**(174)**	(377)		
Profit before tax	**473**	198		
Headline earnings per share [2]	**181.8p**	168.4p	+8.0%	
Net (debt) / cash	**(411)**	45		
Ordinary dividend per share	**66p**	60p	+10.0%	

Financial highlights

- Revenue of the ongoing businesses 4.1% ahead of last year, like-for-like growth of 2.9%.
- Gross margin of the ongoing businesses of 27.8%, 0.3% ahead of last year.
- Trading profit of the ongoing businesses £725 million, 10.7% ahead of last year.
- Impairments and exceptional charges of £174 million (2012: £377 million).
- Headline earnings per share of 181.8 pence, 8.0% ahead of last year.
- Strong cash generation with net debt of £411 million (2012: £45 million net cash).
- Proposed final dividend of 44 pence bringing total for year to 66 pence, 10.0% ahead of last year.
- Proposed capital return of £300 million via a special dividend and share consolidation.

Operating and corporate highlights

- Good growth in US, early signs of recovery in UK but continued weakness in Continental and North Europe.
- Tight cost control and restructuring executed in Continental and North Europe.
- Good flow-through of incremental revenue to trading profit.
- Trading margin for the ongoing businesses of 5.6%, 0.3% higher than last year.
- Six bolt-on acquisitions completed with annualised revenue of £301 million.
- France strategy being executed as set out at the half year results.

(1) 'Ongoing businesses' excludes businesses that have been sold or are held for sale.

(2) Before exceptional items, the amortisation and impairment of acquired intangibles and with respect to headline earnings per share before non-recurring tax items.

(3) The increase or decrease in revenue excluding the effect of currency exchange, acquisitions and disposals, trading days and branch openings and closures.

Ian Meakins, Chief Executive, commented:

"The highlight of these results was another strong performance across our US business where we achieved good revenue growth and the trading margin of 7.3 per cent was ahead of the previous peak achieved in 2007. This was a fitting tribute to Ferguson in its 60th year. Canada and the UK performed well in tough market conditions. We continued to face substantial headwinds in Europe and took decisive action to protect profitability with significant headcount reductions in the year. Gross margins were ahead and our ongoing focus on operational efficiency has delivered further improvements in the trading margin of the ongoing business, now up to 5.6 per cent."

"We are committed to generating attractive returns for shareholders by maintaining strong capital discipline. The Board is recommending a final dividend of 44 pence per share which brings the total dividend for the year to 66 pence per share, a year-on-year increase of 10 per cent. Wolseley continues to be highly cash generative and we have adequate resources to fund future investment in the business alongside growth in ordinary dividends. We are today proposing a special dividend of £300 million accompanied by a share consolidation which reflects the Group's strong financial position and our desire to maintain an efficient and sustainable balance sheet."

Commenting on the outlook, Ian Meakins said:

"Revenue growth rates in the new financial year have been similar to the fourth quarter of last year. Our markets in the US continue to grow steadily and the UK market growth is encouraging. However, economic conditions in Continental Europe are very challenging and we expect them to remain so for the foreseeable future. We will continue to take all appropriate actions to reduce our cost base and protect our profitability. In the year ahead we plan to increase our investments where there are growth opportunities, and in technology and processes to develop more efficient business models. This will improve the leverage in our business and generate good growth in the future."

For further information please contact

Wolseley plc

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There will be an analyst and investor presentation at 0930 (UK time) today at Deutsche Bank, The Auditorium, 1 Great Winchester Street, London EC2N 2DB. A live video webcast and slide presentation of this event will be available on www.wolseley.com. We recommend you register at 0915 (UK time). Photographs are available at www.newscast.co.uk.

FULL YEAR RESULTS FOR THE YEAR ENDED 31 JULY 2013

Group results

The Group delivered a strong overall result against a backdrop of good market conditions in the USA, improving conditions in the UK but continued weak demand in Continental Europe. Demand in the Repairs, Maintenance and Improvement (RMI) markets remained stable in most countries. However, residential new construction markets were weak in all regions outside of the USA. Most of our major businesses continued to gain market share.

Revenue of £12,854 million from the ongoing businesses (2012: £12,345 million) was 4.1% ahead, including like-for-like growth of 2.9%. The gross margin in the ongoing business improved by 0.1% on an underlying basis and 0.3% overall to 27.8% (2012: 27.5%) despite very competitive market conditions. Operating expenses in the ongoing business were 3.6% higher in constant currency of which 1.4% arose from acquisitions completed during the year.

Trading profit in the ongoing businesses was £725 million (2012: £655 million), 10.7% ahead of last year. The trading margin for the ongoing business increased to 5.6% (2012: 5.3%). There were two fewer trading days in the year which reduced trading profit by £10 million. In the year ending 31 July 2014 the number of trading days will be in line with 2013. Foreign exchange movements increased trading profit by £5 million in the year. At current exchange rates trading profit would be £13 million lower in the current year.

Impairments and exceptional charges of £174 million (2012: £377 million) were incurred which principally related to restructuring in Continental and North Europe. The normal amortisation charge in relation to the Group's acquired intangible assets was £55 million (2012: £60 million).

Net finance costs reduced to £23 million (2012: £30 million). The effective tax rate on trading profit less net finance costs was 28.6% (2012: 24.9%) as a larger proportion of profit was generated in the USA which is a higher tax jurisdiction.

Headline earnings per share were 181.8 pence (2012: 168.4 pence) an increase of 8.0%, reflecting the growth in trading profit and lower finance charges, partly offset by higher tax charges. Basic earnings per share from continuing operations were 106.3 pence (2012: 21.2 pence).

Operating and Financial Review

Further details of the financial performance and market conditions in the Group's ongoing businesses and the reconciliation to reported results are set out below.

Quarterly like-for-like revenue growth

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
USA	+6.7%	+7.1%	+9.7%	+8.3%	**+7.8%**
Canada	+4.5%	+3.1%	+1.2%	+0.0%	**+3.0%**
UK	+3.6%	(0.3%)	+0.3%	+5.2%	**+5.1%**
Nordic	(3.1%)	(4.8%)	(8.0%)	(7.5%)	**(3.1%)**
France	(5.0%)	(8.4%)	(12.9%)	(9.8%)	**(5.8%)**
Central Europe	(1.5%)	(0.5%)	(1.3%)	(4.5%)	**(3.5%)**
Ongoing businesses	+2.9%	+2.4%	+2.7%	+2.9%	**+3.7%**

Regional analysis

£ million	Revenue 2013	Revenue 2012	Change	Like-for-like Change	Trading profit 2013	Trading profit 2012
Ongoing businesses						
USA	**6,785**	6,168	+10.0%	+8.2%	**492**	388
Canada	**875**	850	+2.9%	+2.0%	**51**	49
UK	**1,769**	1,667	+6.1%	+2.5%	**95**	93
Nordic	**1,916**	2,029	(5.6%)	(5.7%)	**86**	93
France	**642**	720	(10.8%)	(9.1%)	**10**	17
Central Europe	**867**	911	(4.8%)	(2.5%)	**33**	43
Central and other costs					**(42)**	(28)
	12,854	12,345	+4.1%	+2.9%	**725**	655
Sold or held for sale	**300**	1,076			**-**	10
Group	**13,154**	13,421			**725**	665

USA (53% of ongoing Group revenue)

Revenue in the USA was 8.2% ahead of last year on a like-for-like basis including price inflation of approximately 1%. The RMI segment remained resilient and the recovery in levels of new residential construction continued. The major business units of Blended Branches and Waterworks gained market share in the period.

Blended Branches continued to grow strongly across the country, underpinned by good RMI markets. The Waterworks and HVAC businesses grew strongly though Industrial was slightly lower overall due to low demand for shale gas piping products, although Pipes, Valves and Fittings (PVF) grew well. Build.com continued to grow strongly and generated good returns.

Gross margins improved across most business units. Operating expenses were 9% higher in constant currency, and this included £26 million growth from acquisitions, £9 million of increased healthcare costs, and £11 million of additional investment in B2C marketing. The UK B2C business is managed from the USA and the prior year results have been restated to reflect this. Favourable exchange rate movements contributed £4 million to trading profit which was 26.8% ahead at £492 million (2012: £388 million).

Acquisitions completed in the year accounted for 2.1% of revenue growth in the region. These included Davis & Warshow, a Blended Branches business in New York, Power Equipment Direct, a Chicago based online distributor of power equipment and Fluid Systems Inc, a Hawaii based distributor of below ground drainage products. We opened 54 new branches, principally in the Waterworks and Industrial businesses. Headcount growth of 3.9% was well controlled with nearly half of all headcount coming from acquisitions.

The USA trading margin was 7.3% (2012: 6.3%) which was ahead of the previous peak achieved in 2007.

Canada (7% of ongoing Group revenue)

In Canada revenue was 2.0% ahead on a like-for-like basis including price inflation of approximately 1%. New residential markets dipped although infrastructure spending continued to grow. Overall, we held market share in the Blended Branches and Industrial businesses, making gains in the second half.

Blended Branches grew modestly and improved profitability. Industrial continued to grow strongly. Waterworks traded slightly lower against very strong comparators.

Gross margins were ahead of last year and operating expense growth was restricted to 3% in constant currency with net staff numbers reduced by 96 to 2,511. Trading profit of £51 million edged ahead of last year by £2 million. The trading margin was 5.8% (2012: 5.8%).

UK (14% of ongoing Group revenue)

Revenue in the ongoing UK business was 2.5% ahead of last year on a like-for-like basis. New residential construction and RMI markets improved in the second half. There was no significant price inflation during the year.

Plumb and Parts Center increased market share as did Pipe and Climate Center though growth was held back by weaker industrial markets. Gross margins were down on last year due to the dilutive impact of the Burdens acquisition in January and a challenging pricing environment. Operating expenses were 2% lower when excluding the impact of the Burdens acquisition and 2% higher on an ongoing basis. Headcount in the ongoing business increased by 52. Trading profit for the ongoing business of £95 million was £2 million ahead of last year, principally due to one-off property gains.

The trading margin was 5.7% excluding the impact of the Burdens acquisition and on an ongoing basis was 5.4% (2012: 5.6%).

Nordics (15% of ongoing Group revenue)

Construction markets and consumer sentiment remained very weak across the Nordics. Like-for-like revenue declined 5.7% in the year, including 1% price inflation. The major business units maintained their market leading positions.

Gross margins were ahead of last year despite the very challenging market conditions and strong competition. During the year operating expenses were tightly controlled and decreased by 4% in constant currency, with headcount reduced by 131 to 6,145. Trading profit for the ongoing business declined by £7 million to £86 million. The trading margin for the ongoing businesses was 4.5% (2012: 4.6%).

France (5% of ongoing Group revenue)

Results in France exclude 109 branches held for sale, though they still include 14 branches which we plan to close. Revenue declined by 9.1% on a like-for-like basis, with no price inflation. New construction markets remained very weak throughout the year.

Gross margins were lower principally as a result of lower rebates. Operating expenses were well controlled and were 10% lower in constant currency, with headcount significantly reduced by 311. Trading profit for the ongoing business was £10 million (2012: £17 million) including a £6 million lower depreciation charge relating to assets impaired in the period and a £2 million tax credit in respect of a refund of payroll tax under new French legislation.

The strategy we announced in March is progressing as planned and is expected to be completed in early 2014. The business will comprise of 144 branches which in the year ended 31 July 2013 generated revenue of £598 million and trading profit of £12 million. The trading margin in the ongoing businesses in France was 1.6% (2012: 2.4%). We expect the ongoing business to make a small loss in the year ending 31 July 2014.

Central Europe (6% of ongoing Group revenue)

In Central Europe like-for-like revenue declined by 2.5% with no significant price inflation. Switzerland and Netherlands grew modestly while revenue in Austria and the wood solutions business was lower. In Switzerland, volume growth was partly offset by price deflation as a result of the appreciation of the Swiss Franc.

Central Europe gross margins were lower than last year though operating costs were tightly controlled, 4% lower in constant currency with headcount reduced by 151 to 2,736. In June we acquired Keramikland, a small sanitary business with 2 showrooms, to expand our sanitary ware product offering in Switzerland.

Trading profit in the ongoing businesses was £33 million (2012: £43 million). The trading margin in the ongoing businesses was 3.8% (2012: 4.7%).

Central costs

Central costs of £42 million included one-off costs of £7 million (2012: £28 million after one-off credits of £4 million).

Impairment and exceptional items

Net impairment of acquired intangibles and exceptional items of £174 million were charged in the period. £100 million arose principally from reorganisation of our businesses in France as reported at the half year results. £37 million arose in Central Europe primarily for restructuring and goodwill impairments due to the extended downturn in the region. £34 million was incurred for restructuring and asset impairments in the Nordics offset by gains on disposal of £7 million. A net £6 million charge arose in the UK, primarily from the Burdens acquisition and the subsequent reorganisation of our drainage business. £4 million arose from other items.

The cash impact of these exceptional items in the year ending 31 July 2014 is expected to be an outflow of £35 million.

We continued to control our cost base tightly. In light of ongoing weak market conditions in Continental and North Europe the Group expects further restructuring charges of about £20 million will be charged to trading profit in the current year.

Financing and tax

Net finance costs reduced to £23 million (2012: £30 million). Higher net interest costs due to the increased level of net debt were more than offset by a pension credit. The Group will adopt the revisions to International Accounting Standard 19 in the year ending 31 July 2014 and this will add £13 million to financing charges for the restated 2013 figures. The tax charge of £180 million was net of a £21 million credit for tax on exceptional items and acquired intangible assets and the underlying charge of £201 million represents an effective rate of 28.6%.

Cash flow

The Group generated EBITDA of £841 million (2012: £790 million). Net acquisitions resulted in a cash outflow of £111 million. The Group made a special payment of £125 million to the UK defined benefit pension scheme. Interest and tax payments amounted to £219 million and dividends were £521 million (2012: £142 million), including a special dividend of £348 million in December 2012. Capital investment amounted to £140 million (2012: £135 million). £103 million was used to purchase shares by Employee Benefit Trusts. In 2014 we expect to increase capital investment to approximately £210 million including further incremental investment in organic growth.

Net debt

The Group's reported net debt at 31 July 2013 was £411 million (31 July 2012: net cash of £45 million). Net debt would have been approximately £160 million higher after taking into account the timing of year-end supplier payment runs.

The Group has a strong liquidity position with credit facilities of £2.1 billion committed for more than one year. The Group aims to operate within investment grade credit metrics and with a net debt/EBITDA ratio of 1x to 2x.

Pension obligations

Net pension liabilities reduced to £133 million (2012: £358 million) as a result of better equity markets and £125 million of additional cash contributions to the scheme in the year. Following consultation, the UK defined benefit scheme will be closed to future accrual in December 2013 and will be replaced by a new defined contribution scheme and no curtailment gain arises from these changes.

Ordinary dividend

The business can generate attractive and sustainable financial returns for shareholders. The Board will recommend a final dividend of 44 pence per share (2012: 40 pence per share) for payment on 2 December 2013 to shareholders on the register on 11 October 2013. This brings the total dividend for the year to 66 pence per share (2012: 60 pence per share), which is a year-on-year increase of 10%. The Board is committed to a progressive dividend policy.

Return of surplus cash

The Group's cash generation has been strong, and the Company ended the year with a net debt to EBITDA ratio of 0.5x. Whilst the outlook for Continental and North Europe remains uncertain, the Board believes that the Group has adequate resources to fund future investment in the business alongside sustainable growth in ordinary dividends and to fund bolt-on acquisitions from future free cash flow. The Company has cash that is surplus to the short-term reinvestment requirement of the business and in line with the Company's policy, we are proposing a special dividend to shareholders of £300 million which is expected to be paid in December. The special dividend and share consolidation will be subject to shareholder approval at the Annual General Meeting (AGM) on 26 November 2013. The ex-dividend, record and payment dates for the special dividend and the share consolidation factor will be announced in due course and will be set out in the documents available for shareholders in connection with the AGM.

Board changes

On 1 January 2013 Pilar López and Alan Murray joined the Board. Pilar is Chief Financial Officer of Telefónica Europe. Alan was Chief Executive of Hanson plc between 2002 and 2007. Both Directors have joined the Audit, Remuneration and Nominations Committees of the Board.

Outlook

Revenue growth rates in the new financial year have been similar to the fourth quarter of last year. Our markets in the US continue to grow steadily and the UK market growth is encouraging. However, economic conditions in Continental Europe are very challenging and we expect them to remain so for the foreseeable future. We will continue to take all appropriate actions to reduce our cost base and protect our profitability. In the year ahead we plan to increase our investments where there are growth opportunities, and in technology and processes to develop more efficient business models. This will improve the leverage in our business and generate good growth in the future.

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Notes to statement

1. About Wolseley

Wolseley plc is the world's largest specialist trade distributor of plumbing and heating products to professional contractors and a leading supplier of building materials in North America, the UK and Continental Europe. Group revenue for the year ended 31 July 2013 was £13,154 million and trading profit was £725 million. Wolseley has approximately 39,000 employees and is listed on the London Stock Exchange (LSE: WOS) and is in the FTSE 100 index of listed companies. For more information, please visit www.wolseley.com or follow us on Twitter https://twitter.com/wolseleyplc.

2. Financial calendar

Wolseley will announce its Q1 Interim Management Statement for the period ending 31 October 2013 on 28 November 2013.

3. Timetable for the final dividend

The timetable for payment of the final dividend of 44 pence per share is as follows:

Ex dividend date:	9 October 2013
Record date:	11 October 2013
Payment date:	2 December 2013

A dividend reinvestment plan is in operation. Those shareholders who have not elected to participate in this plan, and who would like to participate with respect to the 2013 final dividend, may do so by contacting Equiniti on 0871 384 2934 (or if outside the UK +44 (0) 121 415 7011). The last day for election for the proposed final dividend is 8 November 2013 and any requests should be made in good time ahead of that date.

4. Legal disclaimer

Certain information included in this announcement is forward-looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the plumbing and heating and building materials market in North America and Europe, fluctuations in product prices and changes in exchange and interest rates. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. All forward-looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules, the Prospectus Rules, the Disclosure Rules and the Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

Group income statement

Year ended 31 July 2013

	Notes	2013 Before exceptional items £m	2013 Exceptional items (note 3) £m	2013 Total £m	2012 Before exceptional items £m	2012 Exceptional items (note 3) £m	2012 Total £m
Revenue	2	**13,154**	**–**	**13,154**	13,421	–	13,421
Cost of sales		**(9,500)**	**–**	**(9,500)**	(9,724)	–	(9,724)
Gross profit		**3,654**	**–**	**3,654**	3,697	–	3,697
Operating costs:							
amortisation of acquired intangibles		**(55)**	**–**	**(55)**	(60)	–	(60)
impairment of acquired intangibles		**(10)**	**–**	**(10)**	(353)	–	(353)
other		**(2,929)**	**(164)**	**(3,093)**	(3,032)	(40)	(3,072)
Operating costs		**(2,994)**	**(164)**	**(3,158)**	(3,445)	(40)	(3,485)
Operating profit	2	**660**	**(164)**	**496**	252	(40)	212
Finance income		**3**	**–**	**3**	2	–	2
Finance costs	4	**(26)**	**–**	**(26)**	(32)	–	(32)
Profit on disposal of associate		**–**	**–**	**–**	–	16	16
Profit before tax		**637**	**(164)**	**473**	222	(24)	198
Taxation	5	**(190)**	**10**	**(180)**	(144)	6	(138)
Profit from continuing operations		**447**	**(154)**	**293**	78	(18)	60
Profit/(loss) from discontinued operations	6	**–**	**12**	**12**	–	(3)	(3)
Profit for the year attributable to shareholders of the Company		**447**	**(142)**	**305**	78	(21)	57
Earnings per share	9						
Continuing operations and discontinued operations							
Basic earnings per share				**110.7p**			20.1p
Diluted earnings per share				**109.6p**			19.9p
Continuing operations only							
Basic earnings per share				**106.3p**			21.2p
Diluted earnings per share				**105.2p**			21.0p

Non-GAAP performance measures	8,9						
Trading profit		**725**			665		
EBITDA before exceptional items		**841**			790		
Profit before tax, exceptional items and the amortisation and impairment of acquired intangibles		**702**			635		
Headline earnings per share		**181.8p**			168.4p		
Headline diluted earnings per share		**180.1p**			166.7p		

Group statement of comprehensive income

Year ended 31 July 2013

	Notes	2013 £m	2012 £m
Profit for the year		**305**	57
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of overseas operations		**201**	(143)
Exchange (loss)/gain on translation of borrowings and derivatives designated as hedges of overseas operations		**(43)**	7
Cumulative currency translation differences on disposals recycled to income statement		**–**	2
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on retirement benefit plans	12	**63**	(84)
Income tax (charge)/credit on items that will not be reclassified to profit or loss		**(16)**	21
Other comprehensive income/(expense) for the year		**205**	(197)
Total comprehensive income/(expense) for the year attributable to shareholders of the Company		**510**	(140)

Group statement of changes in equity

				Reserves				
Year ended 31 July 2013	Notes	**Share capital £m**	**Share premium £m**	**Translation reserve £m**	**Hedging reserve £m**	**Own shares £m**	**Profit and loss account £m**	**Total equity £m**
Total comprehensive income		**–**	**–**	**158**	**–**	**–**	**352**	**510**
New share capital subscribed		**–**	**8**	**–**	**–**	**–**	**–**	**8**
Purchase of own shares by Employee Benefit Trusts		**–**	**–**	**–**	**–**	**(110)**	**–**	**(110)**
Issue of own shares by Employee Benefit Trusts		**–**	**–**	**–**	**–**	**73**	**(66)**	**7**
Credit to equity for share-based payments		**–**	**–**	**–**	**–**	**–**	**22**	**22**
Income tax relating to share-based payments		**–**	**–**	**–**	**–**	**–**	**4**	**4**
Dividends paid	7	**–**	**–**	**–**	**–**	**–**	**(521)**	**(521)**
Net addition to/(reduction in) shareholders' equity		**–**	**8**	**158**	**–**	**(37)**	**(209)**	**(80)**
Opening shareholders' equity		**28**	**19**	**244**	**–**	**(78)**	**2,920**	**3,133**
Closing shareholders' equity		**28**	**27**	**402**	**–**	**(115)**	**2,711**	**3,053**

				Reserves				
Year ended 31 July 2012	Notes	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Own shares £m	Profit and loss account £m	Total equity £m
Total comprehensive (expense)/income		–	–	(136)	2	–	(6)	(140)
New share capital subscribed		–	13	–	–	–	–	13
Credit to equity for share-based payments		–	–	–	–	–	21	21
Income tax relating to share-based payments		–	–	–	–	–	5	5
Dividends paid	7	–	–	–	–	–	(142)	(142)
Net addition to/(reduction in) shareholders' equity		–	13	(136)	2	–	(122)	(243)
Opening shareholders' equity		28	6	380	(2)	(78)	3,042	3,376
Closing shareholders' equity		28	19	244	–	(78)	2,920	3,133

Group balance sheet

As at 31 July 2013

	Notes	2013 £m	2012 £m
Assets			
Non-current assets			
Intangible assets: goodwill	10	**952**	860
Intangible assets: other	10	**294**	300
Property, plant and equipment	10	**1,263**	1,195
Financial assets: available-for-sale investments		**2**	3
Deferred tax assets		**158**	203
Trade and other receivables		**153**	144
Derivative financial assets		**46**	58
		2,868	2,763
Current assets			
Inventories		**1,722**	1,606
Trade and other receivables		**2,034**	1,875
Current tax receivable		**10**	20
Derivative financial assets		**16**	14
Financial receivables: construction loans (secured)		**–**	6
Cash and cash equivalents		**339**	813
		4,121	4,334
Assets held for sale		**53**	43
Total assets		**7,042**	7,140
Liabilities			
Current liabilities			
Trade and other payables		**2,447**	2,241
Current tax payable		**67**	98
Bank loans and overdrafts		**50**	106
Obligations under finance leases		**13**	10
Provisions	11	**123**	82
Retirement benefit obligations	12	**29**	29
		2,729	2,566
Non-current liabilities			
Trade and other payables		**103**	76
Bank loans		**705**	681
Obligations under finance leases		**44**	43
Deferred tax liabilities		**142**	140
Provisions	11	**147**	161
Retirement benefit obligations	12	**104**	329
		1,245	1,430
Liabilities held for sale		**15**	11
Total liabilities		**3,989**	4,007
Net assets		**3,053**	3,133
Equity attributable to shareholders of the Company			
Share capital		**28**	28
Share premium account		**27**	19
Reserves		**2,998**	3,086
Shareholders' equity		**3,053**	3,133

Group cash flow statement

Year ended 31 July 2013

	Notes	2013 £m	2012 £m
Cash flows from operating activities			
Cash generated from operations	13	**633**	747
Interest received		**3**	2
Interest paid		**(38)**	(21)
Tax paid		**(184)**	(86)
Net cash generated from operating activities		**414**	642
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)	14	**(111)**	(41)
Disposals of businesses (net of cash disposed of)	15	**6**	256
Purchases of property, plant and equipment		**(126)**	(123)
Proceeds from sale of property, plant and equipment and assets held for sale		**38**	45
Purchases of intangible assets		**(14)**	(12)
Proceeds from disposals of investment in associate		**–**	16
Net cash (used in)/generated from investing activities		**(207)**	141
Cash flows from financing activities			
Proceeds from the issue of shares to shareholders		**8**	13
Purchase of shares by Employee Benefit Trusts		**(110)**	–
Proceeds from the sale of shares by Employee Benefit Trusts		**7**	–
Repayments of borrowings and derivatives		**(40)**	(122)
Finance lease capital payments		**(12)**	(11)
Dividends paid to shareholders		**(521)**	(142)
Net cash used by financing activities		**(668)**	(262)
Net cash (used)/generated		**(461)**	521
Cash transferred to disposal groups held for sale		**–**	(42)
Effects of exchange rate changes		**(10)**	(37)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(471)**	442
Cash, cash equivalents and bank overdrafts at the beginning of the year	16	**774**	332
Cash, cash equivalents and bank overdrafts at the end of the year	**16**	**303**	**774**

Notes to the full year results announcement
Year ended 31 July 2013

1. Basis of preparation

The full year results announcement for the year ended 31 July 2013, which is an abridged statement of the full Annual Report, has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The full year results announcement has been prepared on a going concern basis. The Directors are confident that on the basis of current financial projections and facilities available, and after considering sensitivities, the Group has sufficient resources for its operational needs and will remain in compliance with the financial covenants in its bank facilities for at least the next 12 months.

The Company is incorporated in Jersey under the Companies (Jersey) Law 1991 and is headquartered in Switzerland.

The financial information for the year ended 31 July 2013 does not constitute the statutory financial statements of the Group. The statutory financial statements for the year ended 31 July 2012 have been filed with the Jersey Registrar of Companies. The auditors have reported on those accounts and on the statutory financial statements for the year ended 31 July 2013 which will be filed with the Jersey Registrar of Companies following the Annual General Meeting. Both the audit reports were unqualified and did not contain any statements under Article 111(2) or Article 111(5) of the Companies (Jersey) Law 1991 or under section 498 of the Companies Act 2006.

2. Segmental analysis

The Group's reportable segments are the operating businesses overseen by distinct divisional management teams responsible for their performance. All reportable segments derive their revenue from a single business activity, the distribution of plumbing and heating products and building materials.

The Group's business is not highly seasonal half on half. The Group's customer base is highly diversified, with no individually significant customer.

The French Wood Solutions business has been managed and reported within the Central Europe region since 1 February 2013. The UK B2C business moved under the responsibility of the USA management. All prior period comparative figures have been restated to show like-for-like comparison.

Revenue by reportable segment is as follows:

	2013 £m	Restated 2012 £m
USA	**6,785**	6,168
Canada	**875**	850
UK	**1,769**	1,898
Nordic	**1,916**	2,125
France	**913**	1,440
Central Europe	**896**	940
Group	**13,154**	13,421

Trading profit/(loss) (note 8) and operating profit/(loss) by reportable segment for the year ended 31 July 2013 are as follows:

	Trading profit/(loss) £m	**Exceptional items £m**	**Amortisation and impairment of acquired intangibles £m**	**Operating profit/(loss) £m**
USA	**492**	**–**	**(18)**	**474**
Canada	**51**	**–**	**–**	**51**
UK	**95**	**(6)**	**(1)**	**88**
Nordic	**86**	**(27)**	**(35)**	**24**
France	**10**	**(100)**	**–**	**(90)**
Central Europe	**33**	**(27)**	**(11)**	**(5)**
Central and other costs	**(42)**	**(4)**	**–**	**(46)**
Group	**725**	**(164)**	**(65)**	**496**
Finance revenue				**3**
Finance costs				**(26)**
Profit before tax				**473**

2. Segmental analysis continued

Trading profit/(loss) (note 8) and operating profit/(loss) by reportable segment for the year ended 31 July 2012 have been restated and are as follows:

	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	388	(2)	(19)	367
Canada	49	–	–	49
UK	94	(32)	(1)	61
Nordic	94	(5)	(257)	(168)
France	25	(1)	(122)	(98)
Central Europe	43	–	(14)	29
Central and other costs	(28)	–	–	(28)
Group	665	(40)	(413)	212
Finance revenue				2
Finance costs				(32)
Profit on disposal of associate				16
Profit before tax				198

The change in revenue and trading profit between the years ended 31 July 2012 and 31 July 2013 are analysed in the following tables into the effects of changes in exchange rates, disposals and acquisitions with the remainder being organic change.

When entities are disposed of in the year, the difference between the revenue and trading profit in the current year up to the date of disposal and the revenue and trading profit in the equivalent portion of the prior year is included in organic change.

Analysis of change in revenue	2012 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	**2013 £m**
USA	6,168	60	–	148	409	**6,785**
Canada	850	8	–	–	17	**875**
UK	1,898	–	(231)	67	35	**1,769**
Nordic	2,125	12	(96)	7	(132)	**1,916**
France	1,440	(10)	(411)	–	(106)	**913**
Central Europe	940	(11)	–	3	(36)	**896**
Group	13,421	59	(738)	225	187	**13,154**

Analysis of change in trading profit (note 8)	2012 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	**2013 £m**
USA	388	4	–	8	92	**492**
Canada	49	1	–	–	1	**51**
UK	94	–	(2)	(3)	6	**95**
Nordic	94	1	(1)	–	(8)	**86**
France	25	–	(4)	–	(11)	**10**
Central Europe	43	(1)	–	–	(9)	**33**
Central and other costs	(28)	–	–	–	(14)	**(42)**
Group	665	5	(7)	5	57	**725**

2. Segmental analysis continued

In 2012 and 2013 a number of Group entities or groups of branches have been disposed of or are classified as held for sale. The revenue and trading profit of the Group's segments excluding those entities and branches ("ongoing segments") is analysed in the following table. This is non-GAAP information.

	Revenue		Trading Profit	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Ongoing segments				
USA	**6,785**	6,168	**492**	388
Canada	**875**	850	**51**	49
UK	**1,769**	1,667	**95**	93
Nordic	**1,916**	2,029	**86**	93
France	**642**	720	**10**	17
Central Europe	**867**	911	**33**	43
Central and other costs	**–**	–	**(42)**	(28)
	12,854	12,345	**725**	655
Entities disposed of or classified as held for sale	**300**	1,076	**–**	10
Group	**13,154**	13,421	**725**	665

3. Exceptional items

Exceptional items are those which are considered significant by virtue of their nature, size or incidence, and are presented separately in the income statement to enable a full understanding of the Group's financial performance. These exclude impairments of acquired intangibles which are also presented separately in the income statement. Transactions which may give rise to exceptional items include the restructuring of business activities and gains or losses on disposal of business. If provisions have been made for exceptional items in previous years, then any write-back of those provisions is shown as exceptional.

Exceptional items included in operating profit from continuing operations are analysed by purpose as follows:

	2013 £m	2012 £m
Staff redundancy costs	**(38)**	–
Asset write-downs, onerous lease & other provisions and other related costs	**(104)**	–
	(142)	–
Gain/(loss) on disposal of businesses	**21**	(35)
Loss on closure of businesses and revaluations of held for sale disposal groups	**(32)**	(5)
Other exceptional items	**(11)**	–
Total included in operating profit	**(164)**	(40)

Exceptional items relating to discontinued operations are detailed in note 6.

4. Finance costs

	2013 £m	2012 £m
Interest payable		
– Bank loans and overdrafts	**38**	19
– Unwind of fair value adjustment to senior unsecured loan notes	**(14)**	(10)
– Finance lease charges	**3**	3
Discount charge on receivables funding arrangements	**–**	1
Net pension finance (income)/cost (note 12)	**(2)**	8
Unwind of discount on provisions	**–**	1
Valuation losses/(gains) on financial instruments		
– Derivatives held at fair value through profit and loss	**1**	(5)
– Loans in a fair value hedging relationship	**–**	15
Total finance costs	**26**	32

Notes to the full year results announcement
Year ended 31 July 2013

5. Taxation

	2013 £m	2012 £m
Current year tax charge	**188**	118
Adjustments to tax charge in respect of prior years	**(19)**	(8)
Total current tax charge	**169**	110
Deferred tax charge: origination and reversal of temporary differences	**11**	28
Tax charge	**180**	138

An exceptional credit of £10 million was recorded in relation to exceptional charges in 2013 (2012: credit £6 million). The overall prior year tax credit on continuing operations taking into account prior year movements in deferred tax is £18 million. The deferred tax charge of £11 million includes £14 million resulting from changes in tax rates.

6. Discontinued operations

The results from the discontinued operations, which have been included in the Group income statement, are as follows:

			2013			2012
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Profit/(loss)	**–**	**11**	**11**	–	(3)	(3)
Tax credit	**–**	**1**	**1**	–	–	–
Profit/(loss) from discontinued operations	**–**	**12**	**12**	–	(3)	(3)

Amounts credited or charged to discontinued operations are generated from movements in tax, provisions and other items arising from the sale of Stock Building Supply in 2009.

7. Dividends

	2013		2012	
	£m	**Pence per share**	£m	Pence per share
Amounts recognised as distributions to equity shareholders:				
Final dividend for the year ended 31 July 2011			85	30p
Interim dividend for the year ended 31 July 2012			57	20p
Final dividend for the year ended 31 July 2012	**114**	**40p**		
Special dividend	**348**	**122p**		
Interim dividend for the year ended 31 July 2013	**59**	**22p**		
Dividends paid	**521**	**184p**	142	50p

After the reporting date the Directors proposed a final ordinary dividend of £121 million (44 pence per share) and a special dividend of £300 million. These dividends are subject to approval by the shareholders at the Annual General Meeting and therefore, in accordance with accounting standards, they have been excluded from these financial statements.

8. Non-GAAP performance measures

Trading profit is defined as operating profit before exceptional items and the amortisation and impairment of acquired intangibles. It is a non-GAAP measure. The Group considers that trading profit, and other performance measures based on it, including EBITDA before exceptional items, present valuable additional information to users of the financial statements.

	2013 £m	2012 £m
Operating profit	**496**	212
Add back: amortisation and impairment of acquired intangibles	**65**	413
Add back: exceptional items in operating profit	**164**	40
Trading profit	**725**	665
Depreciation, amortisation and impairment of property, plant and equipment and software excluding exceptional items in operating profit	**116**	125
EBITDA before exceptional items	**841**	790
Profit before tax	**473**	198
Add back: amortisation and impairment of acquired intangibles	**65**	413
Add back: exceptional items in profit before tax	**164**	24
Profit before tax and exceptional items and the amortisation and impairment of acquired intangibles	**702**	635
Tax expense	**(180)**	(138)
Add back: deferred tax credit on the amortisation and impairment of acquired intangibles	**(17)**	(14)
Add back: tax credit on exceptional items	**(10)**	(6)
Less: non-recurring tax charge relating to prior years	**6**	–
Adjusted tax expense	**(201)**	(158)
Profit from continuing operations	**293**	60
Add back: amortisation and impairment of acquired intangibles after tax	**48**	399
Add back: exceptional items after tax	**154**	18
Add back: non-recurring tax charge relating to prior years	**6**	–
Headline profit after tax from continuing operations	**501**	477

Applying the adjusted tax expense of £201 million to the profit before tax, exceptional items and the amortisation of acquired intangibles of £702 million gives an effective tax rate of 29% (2012: 25%).

9. Earnings per share

			2013			2012
	Earnings £m	**Basic earnings per share Pence**	**Diluted earnings per share Pence**	Earnings £m	Basic earnings per share Pence	Diluted earnings per share Pence
Headline profit after tax from continuing operations	**501**	**181.8**	**180.1**	477	168.4	166.7
Exceptional items (net of tax)	**(154)**	**(55.9)**	**(55.4)**	(18)	(6.3)	(6.3)
Amortisation and impairment of acquired intangibles (net of deferred tax)	**(48)**	**(17.4)**	**(17.3)**	(399)	(140.9)	(139.4)
Non-recurring tax charge relating to prior years	**(6)**	**(2.2)**	**(2.2)**	–	–	–
Profit from continuing operations	**293**	**106.3**	**105.2**	60	21.2	21.0
Discontinued operations	**12**	**4.4**	**4.4**	(3)	(1.1)	(1.1)
Profit from continuing and discontinued operations	**305**	**110.7**	**109.6**	57	20.1	19.9

The weighted average number of ordinary shares in issue during the year, excluding those held by Employee Benefit Trusts, was 275.6 million (2012: 283.3 million). The impact of all potentially dilutive share options on earnings per share would be to increase the weighted average number of shares in issue to 278.2 million (2012: 286.2 million).

On 29 November 2012 the shares of Wolseley plc were consolidated on a 22 for 23 basis. The impact of the share consolidation on the weighted average number of shares used to calculate basic and diluted earnings per share is 12 million.

Notes to the full year results announcement
Year ended 31 July 2013

10. Intangible and tangible assets

	Goodwill £m	Acquired intangible assets £m	Software £m	Property, plant and equipment £m	Total intangible and tangible assets £m
Net book value at 1 August 2012	860	273	27	1,195	2,355
Additions	–	–	12	139	151
Acquisitions	58	27	–	31	116
Disposals and transfers	–	(2)	–	(13)	(15)
Reclassified as held for sale	–	–	–	(27)	(27)
Depreciation and amortisation	–	(55)	(12)	(104)	(171)
Impairment	(9)	(1)	–	(44)	(54)
Exchange rate adjustment	43	25	–	86	154
Net book value at 31 July 2013	**952**	**267**	**27**	**1,263**	**2,509**

Impairment tests were performed for all of the Group's cash generating units or groups of cash generating units ('CGUs') during the year ended 31 July 2013. These impairment reviews have resulted in the recording of an impairment charge of £9 million to goodwill and £1 million to acquired intangibles of Wasco in the Central Europe segment, reflecting the deterioration of trading conditions in the Netherlands in the second half of the year.

Notes to the full year results announcement
Year ended 31 July 2013

11. Provisions

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 31 July 2011	76	57	63	88	284
Utilised in the year	(26)	(26)	(28)	(20)	(100)
Amortisation of discount	7	–	1	–	8
Charge for the year	6	13	11	3	33
Disposal of businesses and reclassified as held for sale	(1)	–	1	14	14
Exchange differences	3	2	–	(1)	4
At 1 August 2012	**65**	**46**	**48**	**84**	**243**
Utilised in the year	**(5)**	**(16)**	**(21)**	**(4)**	**(46)**
Amortisation of discount	**(5)**	**–**	**–**	**–**	**(5)**
Charge/(credit) for the year	**28**	**20**	**42**	**(10)**	**80**
Acquisition of businesses	**1**	**–**	**–**	**–**	**1**
Disposal of businesses and reclassified as held for sale	**–**	**–**	**–**	**(13)**	**(13)**
Exchange differences	**3**	**1**	**3**	**3**	**10**
At 31 July 2013	**87**	**51**	**72**	**60**	**270**
Current	**36**	**26**	**45**	**16**	**123**
Non-current	**51**	**25**	**27**	**44**	**147**
	87	**51**	**72**	**60**	**270**

Wolseley Insurance provisions represent an estimate, based on historical experience, of the ultimate cost of settling outstanding claims and claims incurred but not reported on certain risks retained by the Group (principally US casualty and global property damage).

The environmental and legal provision includes £51 million (31 July 2012: £52 million) for the estimated liability for asbestos litigation on a discounted basis using a long term discount rate of 3.3 per cent (2012: 2.2 per cent). This amount has been actuarially determined as at 31 July 2013 based on advice from independent professional advisers. The Group has insurance that it currently believes is sufficient cover for the estimated liability and accordingly an equivalent insurance receivable has been recorded in other receivables. Based on current estimates, the amount of performing insurance cover significantly exceeds the expected level of future claims and no material profit or cash flow impact is therefore expected to arise in the foreseeable future.

Restructuring provisions include provisions for staff redundancy costs and future lease rentals on closed branches. In determining the provision for onerous leases, the cash flows have been discounted on a pre-tax basis using appropriate government bond rates. The weighted average maturity of these obligations is approximately three years.

Other provisions include warranty and separation costs relating to businesses disposed of and rental commitments on vacant properties and dilapidations on leased properties and warranties. The weighted average maturity of these obligations is approximately four years.

12. Retirement benefit obligations

Analysis of balance sheet liability	**2013 £m**	2012 £m
Fair value of plan assets:		
UK	**1,086**	767
Non-UK	**220**	194
	1,306	961
Present value of defined benefit obligation:		
UK	**(1,108)**	(983)
Non-UK	**(331)**	(336)
	(1,439)	(1,319)
Net deficit recognised in balance sheet	**(133)**	(358)

Analysis of total expense recognised in income statement	**2013 £m**	2012 £m
Current service cost	**27**	29
Curtailment	**(10)**	(2)
Charged to operating costs	**17**	27
Interest on pension liabilities	**56**	64
Expected return on plan assets	**(58)**	(56)
(Credited)/charged to finance costs	**(2)**	8
Total expense recognised in income statement	**15**	35

Analysis of amount recognised in the statement of comprehensive income	**2013 £m**	2012 £m
Actuarial gain/(loss)	**63**	(84)
Taxation	**(45)**	21
Total amount recognised in the statement of comprehensive income	**18**	(63)

The cumulative amount of actuarial losses recognised in the statement of comprehensive income is £286 million (2012: £349 million).

Notes to the full year results announcement

Year ended 31 July 2013

13. Reconciliation of profit to cash generated from operations

Profit for the year is reconciled to cash generated from operations as follows:

	2013 £m	2012 £m
Profit for the year	**305**	57
Net finance costs	**23**	30
Profit on disposal of associate	**–**	(16)
Tax expense	**180**	138
Amortisation and impairment of acquired intangibles	**65**	413
(Profit)/loss on disposal and closure of businesses and revaluation of disposal groups	**(2)**	43
Depreciation and impairment of property, plant and equipment	**148**	113
Amortisation and impairment of non-acquired intangibles	**13**	12
Loss/(profit) on disposal of property, plant and equipment and assets held for sale	**5**	(1)
Increase in inventories	**(48)**	(60)
(Increase)/decrease in trade and other receivables	**(82)**	33
Decrease in construction loan receivables	**–**	23
Increase in trade and other payables	**116**	79
Special contribution to the UK pension scheme	**(125)**	(60)
Increase/(decrease) in provisions and other liabilities	**13**	(78)
Share-based payments	**22**	21
Cash generated from operations	**633**	747

Trading profit is reconciled to cash generated from operations as follows:

	2013 £m	2012 £m
Trading profit	**725**	665
Exceptional items in operating profit	**(164)**	(40)
Profit/(loss) of discontinued operations	**12**	(3)
(Profit)/loss on disposal and closure of businesses and revaluation of disposal groups	**(2)**	43
Depreciation and impairment of property, plant and equipment	**148**	113
Amortisation and impairment of non-acquired intangibles	**13**	12
Loss/(profit) on disposal of property, plant and equipment and assets held for sale	**5**	(1)
Increase in inventories	**(48)**	(60)
(Increase)/decrease in trade and other receivables	**(82)**	33
Decrease in construction loan receivables	**–**	23
Increase in trade and other payables	**116**	79
Special contribution to the UK pension scheme	**(125)**	(60)
Increase/(decrease) in provisions and other liabilities	**13**	(78)
Share-based payments	**22**	21
Cash generated from operations	**633**	747

14. Acquisitions

The Group acquired 100% of the following businesses in the year ended 31 July 2013. All these businesses are engaged in the distribution of plumbing and heating products and building materials. These transactions have been accounted for by the purchase method of accounting.

	Date	Country of incorporation	% acquired
Power Equipment Direct Inc	September 2012	USA	100%
Davis and Warshow, Inc.	October 2012	USA	100%
Certain trade and assets of Burdens	November 2012	UK	100%
Certain trade and assets of Discount Heating	January 2013	UK	100%
Fluid Systems Hawaii Inc.	February 2013	USA	100%
Keramikland	June 2013	CH	100%

Details of the assets and liabilities acquired and the consideration for all acquisitions in the period are as follows:

	Book values acquired £m	Fair value adjustments £m	Provisional fair values acquired £m
Intangible fixed assets			
– Customer relationships	–	8	8
– Trade names and brands	–	12	12
– Other	–	7	7
Property, plant and equipment	30	1	31
Inventories	25	(4)	21
Receivables	17	–	17
Cash, cash equivalents and bank overdrafts	7	–	7
Secured bank loans	(3)	–	(3)
Finance leases	(3)	–	(3)
Payables	(20)	3	(17)
Current and deferred tax	–	(4)	(4)
Provisions	–	(2)	(2)
Total	53	21	74
Goodwill arising			58
Consideration			132

Satisfied by:	
Cash	113
Deferred consideration	19
Total consideration	132

The fair value adjustments for the period ended 31 July 2013 are provisional figures, being the best estimates currently available. Further adjustments to goodwill may be necessary when additional information is available concerning some of the judgmental areas.

The goodwill arising on these acquisitions is attributable to the anticipated profitability of the new markets and product ranges to which the Group has gained access, and to additional profitability and operating efficiencies in respect of existing markets.

The acquisitions contributed £195 million to revenue, £5 million to trading profit and £3 million to the Group's operating profit for the period between the date of acquisition and the balance sheet date. It is not practicable to disclose profit before and after tax, as the Group manages its borrowings as a portfolio and cannot attribute an effective borrowing rate to an individual acquisition.

If each acquisition had been completed on the first day of the financial year, Group revenue would have been £13,260 million and Group trading profit would have been £727 million. It is not practicable to disclose profit before tax or profit attributable to equity shareholders, as stated above. It is not practicable to disclose operating profit as the Group cannot estimate the amount of intangible assets that would have been acquired at a date other than the acquisition date

14. Acquisitions continued

The net outflow of cash in respect of the purchase of businesses is as follows:

	2013 £m	2012 £m
Purchase consideration	**113**	41
Deferred and contingent consideration paid in the year	**5**	1
Cash consideration	**118**	42
Cash, cash equivalents and bank overdrafts acquired	**(7)**	(1)
Net cash outflow in respect of the purchase of businesses	**111**	41

15. Disposals

In the year ended 31 July 2013 the Group disposed of Woodcote, a building materials distribution business operating in Eastern Europe, and HT Bendix, a small business in Denmark. Total assets and liabilities disposed of amounted to £6 million and consideration received, net of disposal costs, was £12 million. In addition there has been a provision release of £15 million due to favourable resolutions of warranty exposures relating to prior year disposals.

The net inflow of cash in respect of the disposal of businesses is as follows:

	2013 £m
Cash consideration received for current year disposals	**13**
Disposal costs paid	**(1)**
Cash consideration received for prior year disposals	**3**
Payments to settle liabilities for prior year disposals	**(9)**
Net cash inflow	**6**

16. Reconciliation of opening to closing net (debt)/cash

For the year ended 31 July 2013	**At 1 August £m**	**Cash flows £m**	**Acquisitions and new finance leases £m**	**Reclassified as held for sale £m**	**Fair value and other adjustments £m**	**Exchange movement £m**	**At 31 July £m**
Cash and cash equivalents	**813**						**339**
Bank overdrafts	**(39)**						**(36)**
	774	**(461)**	**–**	**–**	**–**	**(10)**	**303**
Derivative financial instruments	**72**	**(14)**	**–**	**–**	**2**	**2**	**62**
Bank loans	**(748)**	**54**	**(3)**	**–**	**14**	**(36)**	**(719)**
Obligations under finance leases	**(53)**	**12**	**(15)**	**5**	**–**	**(6)**	**(57)**
Net cash/(debt)	**45**	**(409)**	**(18)**	**5**	**16**	**(50)**	**(411)**

17. Contingent liabilities

Group companies are, from time to time, subject to certain claims and litigation arising in the normal course of business in relation to, among other things, the suitability of products, contract and commercial disputes and disputes with employees. Provision is made if, on the basis of current information and professional advice, liabilities are considered likely to arise. In the case of unfavourable outcomes the Group may benefit from applicable insurance recoveries. Certain claims arise as a result of the unintentional supply of defective products and these claims are usually the responsibility of the manufacturer, though defence and other costs may also be incurred by the Group.

Mislabelled gaskets
In December 2011 the Group's US business wrote to a number of customers in the USA and Canada in relation to the unintentional supply of gaskets which were mislabelled by a former supplier, Lortech Rubber Inc. of Canada, as being non-asbestos. A number of customers had found asbestos in gaskets above the level at which they can be classified as non-asbestos. Independent expert advice confirmed that there was no health or safety risk arising from the handling, installation and use of the gaskets. Well-established protocols are maintained by the US Occupational Safety and Health Administration to ensure the safe removal of all types of gaskets. The performance of the gaskets is not affected and the expert advice is to leave the gaskets in place until the end of their lives. The supply of these products in the USA and Canada is legal. No significant product liability claims have arisen from this matter to date.

Warranties and guarantees in relation to business disposals
Following a review of the appropriate allocation of the Group's resources in 2009 the Group has disposed of a number of non-core businesses and various Group companies have provided certain standard warranties and guarantees to acquirers and other third parties, including warranties regarding financial statements and taxation. Provision is made where the Group considers that a liability is likely to crystallise, though it is possible that claims in respect of which no provisions has been made could be received in the future. Group companies have also guaranteed certain property and other obligations which could be called in an event of default. As at the date of this report there are no significant outstanding claims in relation to business disposals.

Environmental
The operations of certain Group companies, particularly those engaged in processing, converting or treating building materials, are subject to specific environmental regulations. From time to time the group conducts preliminary investigations through third parties to assess potential risks including potential soil or groundwater contamination of sites. Where an obligation to remediate contamination arises then this is provided for, though future liabilities could arise from sites for which no provision is made.

Outcome
The outcome of claims and litigation to which Group companies are party cannot readily be foreseen as, in some cases, the facts are unclear, further time is needed to properly assess the merits of the case, or they are part of continuing legal proceedings. However, based on information currently available, the Directors consider that the cost to the Group of an unfavourable outcome arising from such litigation is not expected to have a material adverse effect on the financial position of the Group.

Notes to the full year results announcement
Year ended 31 July 2013

18. Exchange rates

The results of overseas subsidiaries have been translated into sterling using average rates of exchange. The year end rates of exchange have been used to convert balance sheet amounts. The principal currencies impacting the full year results announcement are as follows.

	2013	2012
US dollar translation rate		
Income statement	**1.56**	1.58
Balance sheet	**1.52**	1.57
Euro translation rate		
Income statement	**1.20**	1.19
Balance sheet	**1.14**	1.27
Canadian dollar translation rate		
Income statement	**1.57**	1.59
Balance sheet	**1.56**	1.57
Danish Krone translation rate		
Income statement	**8.97**	8.89
Balance sheet	**8.52**	9.48
Swiss Franc translation rate		
Income statement	**1.47**	1.44
Balance sheet	**1.41**	1.53